

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7095

BILL NUMBER: HB 1579

NOTE PREPARED: Jan 8, 2011

BILL AMENDED:

SUBJECT: Film and Music Facility Tax Credit.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides an Adjusted Gross Income (AGI) tax credit against expenditures for the construction of certain motion picture or audio production facilities. It requires the Indiana Economic Development Corporation's approval of the expenditures. It provides that the credit is equal to: (1) 10% of a taxpayer's approved qualified expenditures for the construction of a motion picture or audio production facility if the cost of the facility does not exceed \$1 M; and (2) 25% of the approved qualified expenditures for the construction of a motion picture or audio production facility if the cost of the facility exceeds \$1 M.

Effective Date: January 1, 2012.

Explanation of State Expenditures: *Administrative Expenditures:* This bill will increase expenditures for the Department of State Revenue (DOR) and the Indiana Economic Development Corporation (IEDC). The DOR will have to amend forms, adopt rules and procedures, and update computer software to incorporate the tax credit established in this bill. The IEDC will realize administrative costs in forming agreements to award tax credits to certain taxpayers. The amount of increased expenditures is indeterminable, but it is estimated that both the DOR and IEDC could implement these provisions through the use of existing staff and resources.

Explanation of State Revenues: *Film and Music Facility Tax Credit:* This bill would reduce state AGI Tax liabilities of taxpayers that construct motion picture or audio production facilities beginning in tax year 2012. The revenue impact of these tax credits, beginning in FY 2013, is indeterminable.

The tax credit is applicable for the taxable year in which the taxpayer completes the construction of a motion picture or audio production facility and receives certification of the expenditures from the IEDC. The facility

must be located in Indiana and owned by the taxpayer. Qualified expenditures for the construction of these facilities must exceed \$100,000 for an audio production facility, or \$350,000 for a motion picture production facility. The tax credit is equal to 10% of a taxpayer's approved qualified expenditures for the construction of a facility if the cost does not exceed \$1 M, and 25% of the approved qualified expenditures for the construction of a facility if the cost exceeds \$1 M. The tax credit may be carried forward for 5 succeeding taxable years, but may not be carried back or refunded.

Background Information - Currently, there is a Media Production Expenditure Tax Credit is for qualified media production expenditures that is equal to 15% of qualified expenditures if the expenditure total is less than \$6 M, and up to 15% of qualified expenditures as determined by the IEDC if the expenditure total is \$6 M or more. Tax credits may not exceed \$2.5 M in a fiscal year. The tax credit is refundable, and will sunset December 31, 2011. The credit may be claimed against individual or corporate AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax liabilities. Revenue from the AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund.

State income tax return data indicates that 376 individuals claimed about \$90,000 in Media Production Expenditure Tax Credits in tax year 2008, and no tax credits were claimed by corporate taxpayers. Tax year 2008 was the first tax year that this tax credit was available.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

Information Sources: OFMA Income Tax Databases.

Fiscal Analyst: Jessica Harmon, 317-232-9854.